

**Parking Facilities Management Follow-Up
Performance Audit**

March 2011

DURHAM



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CITY OF MEDICINE

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CITY OF DURHAM

Memorandum

To: Audit Services Oversight Committee
From: Germaine Brewington, Director of Audit Services
Date: March 8, 2011
**RE: Transmittal of Parking Facilities Management Follow-Up
Performance Audit (March 2011)**

The Department of Audit Services completed the report on the Parking Facilities Management Follow-Up Performance Audit dated March 2011. The purpose of the audit was to verify if the City of Durham's Department of Transportation implemented the recommendations proposed in the Parking Facilities Management Performance Audit dated March 2010.

This report presents the observations, results, and recommendation of the Parking Facilities Management Follow-Up Performance Audit. City management concur with the recommendation made. Management's response to the recommendation is included with the attached report.

The Department of Audit Services appreciates the contribution of time and other resources from the employees of the Department of Transportation and Lanier Parking Systems of North Carolina, Inc. in the completion of this audit.

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BACKGROUND INFORMATION

The City of Durham entered into the "*Parking System Management Services Agreement*" (Agreement) with Lanier Parking Systems of North Carolina, Inc. effective July 17, 2008. According to the Agreement, Lanier Parking Systems will provide professional management of the City's parking facilities (operations and maintenance) and management of on-street parking including parking enforcement, citation processing, adjudication, and meter management (if implemented). Lanier Parking Systems will enforce parking regulations within the City of Durham in compliance with City code or City ordinance. The Agreement will expire on July 20, 2011; however, the City has the option to renew the Agreement for an additional three-year period. The City of Durham's Department of Transportation is currently responsible for monitoring the Agreement.

The Department of Audit Services performed a Parking Facilities Management Performance Audit in March 2010. The purpose of the audit was twofold: 1) to determine if the City of Durham's Department of Transportation has adequate controls in place to monitor the Agreement with Lanier Parking Systems of North Carolina, Inc; and 2) to determine if Lanier Parking Systems is complying with the terms of the Agreement. The audit concluded that overall, the Department of Transportation should strengthen its monitoring efforts to ensure Lanier Parking Systems is adequately managing the parking facilities. In addition, Lanier Parking Systems had adequate controls over cash collections; however, opportunities existed for improvement in the following areas:

- Implementing additional controls over cash collections of the North Deck parking facility to reduce the risk of fraudulent activities; and
- Addressing the significant high numbers of unaccounted for tickets at Chapel Hill Street and Corcoran Street parking facilities.

The audit proposed three recommendations to address these areas of concern.

Purpose

The purpose of the audit was to verify if the Department of Transportation implemented the recommendations proposed in the Parking Facilities Management Performance Audit dated March 2010.

We conducted this performance audit in accordance with generally accepted governmental auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Results in Brief

The Parking Facilities Management Performance Audit dated March 2010 proposed three recommendations to management. The status of the recommendations is:

- Two recommendations were implemented; and
- One recommendation was partially implemented.

Objective

The objective of the audit was to verify if:

- The Department of Transportation implemented the proposed recommendations.

Scope

The scope of the audit included examining the Department of Transportation's current controls as they relate to the proposed recommendations of the Parking Facilities Management Audit dated March 2010.

Methodology

To accomplish the objective of the audit, staff performed the following:

- Interviewed various City personnel responsible for implementing the proposed recommendations;
- Interviewed Lanier Parking Systems personnel responsible for implementing the proposed recommendations; and
- Performed site visits to observe and verify implementation of the proposed recommendations.

During the audit, staff also maintained awareness to the potential existence of fraud.

The recommendations in the Parking Facilities Management Audit dated March 2010 and the accompanying status of each recommendation follow.

Recommendation 1

The Department of Transportation should strengthen monitoring of the Parking Systems Management Services Agreement by:

- Reconciling the cash received from Lanier Parking Systems per the general ledger to the revenue per the Parking Management Report on a monthly basis;
- Reconciling revenue reported in the audited report provided by Lanier Parking Systems to the revenue reported in the general ledger; and
- Obtaining and reviewing the list of outstanding violations and ensuring that Lanier Parking Systems is implementing procedures set forth in the City Code Ordinance, Chapter 66, Division 2, *Enforcement and Collection of Civil Penalties for Parking Regulations*.

Status: Partially implemented

The Department of Transportation has strengthened monitoring of the Parking Systems Management Services Agreement by performing the following:

- *The Contract Administrator ensures that the Parking Management Report from Lanier Parking Systems reconciles to the daily cash receipts and general ledger. Audit staff verified the reconciliation spread sheet maintained by the Contract Administrator.*
- *The Parking Management Report from Lanier Parking Systems contains a detailed list of outstanding violations on a monthly basis. The Contract Administrator performs periodic reviews of the list of delinquent accounts and holds discussions with Lanier Parking Systems personnel regarding collection efforts undertaken.*
- *The Department of Transportation personnel are in the process of reconciling revenue reported in the audited report provided by Lanier Parking Systems to the revenue reported in the general ledger for FY 2009 and FY 2010. Lanier Parking Systems needs to provide additional information in order for the amounts to reconcile. Audit staff verified documentation requesting information from Lanier Parking Systems. The reconciliation is still pending at present.*

Recommendation 2

The Department of Transportation should ensure that Lanier Parking Systems addresses the issue of the high number of missing tickets at the Chapel Hill Street and Corcoran Street parking facilities. The reason for the missing tickets should be identified. If the missing tickets are due to vehicles left in the parking facilities at the end of the business day, a cost benefit analysis should be performed to determine if it is in the City's interest to attempt to capture lost revenue (if any).

Status: Implemented

Lanier Parking Systems personnel stated that they conducted several investigations to try to identify the cause of the high percentage of lost tickets at the Chapel Hill Street and Corcoran Street parking facilities. Investigative methods included counting cars in the parking facilities after the 7 p.m. close time; noting the type of activities generating the after hour's traffic in the parking facilities; and determining methods used by customers that cause extra tickets to be pulled. Based on the analysis and solutions suggested by Lanier Parking Systems, the Department of Transportation personnel determined that a change of gate equipment is the best solution to address the missing tickets issue. The Department of Transportation is currently researching the possibility of obtaining money for the cost to upgrade the equipment.

Recommendation 3

The Department of Transportation should ensure that Lanier Parking Systems implements additional controls over collections of parking revenue at the North Deck parking facility, in order to reduce exposure to fraudulent activities.

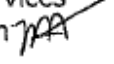
Status: Implemented

Since the last audit, the North Deck parking facility displays a sign at the entrance identifying the special event parking rate to help deter fraud. Additionally, special event customers are required to display the ticket on the dashboard of their car to help identify payment receipt, if needed. The Department of Transportation personnel have determined that additional controls would entail additional costs that are not cost effective at this time.

Recommendation 1

The Department of Transportation should reconcile revenue reported in the audited report provided by Lanier Parking Systems to the revenue reported in the general ledger in a timely manner.

MANAGEMENT'S RESPONSE

Memo to: Germaine F. Brewington, Director of Audit Services
From: Mark D. Ahrendsen, Director of Transportation 
Date: March 17, 2011
Subject: Management's Response
Parking Facilities Management Follow-up Performance Audit (March 2011)

The following is the management's response to the Parking Facilities Management Follow-Up Performance Audit dated March 2011.

Recommendation 1:

The Department of Transportation should reconcile revenue reported in the audited report provided by Lanier Parking Systems to the revenue reported in the general ledger in a timely manner.

Management's Response:

We concur. Management is in full agreement with the recommendation.

As of March 16, 2011, the Department of Transportation completed and forwarded to Audit Services the reconciliation of revenue reported in the audit provided by Lanier Parking Systems to the revenue reported in the general ledger.